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C O N F I D E N T I A L GUATEMALA 001337

SIPDIS

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TAGS: [ECON](#) [PGOV](#) [PREL](#) [GT](#)  
SUBJECT: STRONG STATE INSTITUTIONS ARE KEY TO GUATEMALA'S  
ECONOMIC PROSPERITY

Classified By: Pol/Econ Officer Mordica M. Simpson for  
reasons 1.4 (b&d).

¶1. (U) Summary: On October 14, the Foundation for the Development of Guatemala (FUNDESA) hosted its fifth annual meeting of the National Encounter of Businessmen (ENADE). Representatives from all sectors, including Colombia's former President Pastrana, emphasized the important role that strong state institutions and social responsibility have on security and a productive economy. Finance Minister Fuentes Knight outlined the GOG's five principle strategic challenges and President Colom also addressed the audience in a speech that covered the government's Pro-rural program, job losses, and rumors of a military overthrow. End Summary.

¶2. (U) Over 2000 guests attended ENADE's annual business forum, including senior members of the Colom Administration, influential business leaders, and former President of Colombia Andres Pastrana. In his opening address, Edgar Heinemann, President of FUNDESA, highlighted the global financial crisis and the lack of confidence that Guatemalans have in their state institutions as the two greatest threats to the country's economic stability. Heinemann also stated that corruption and crime have negatively affected Guatemala's GDP, setting the tone for subsequent speakers who also discussed the negative impact of weak institutions and corruption on Guatemala's prospects for economic growth. Jose Pivaral, President of the CACIF (Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations), cited fiscal discipline including control over public spending and social policies such as gang rehabilitation programs as essential for Guatemala's economic growth.

¶3. (U) Former President of Colombia Andres Pastrana (1998-2002) credited Plan Colombia - initiated during his administration - as the greatest influence in helping his country leave the list of "failed states." According to Pastrana, Plan Colombia helped Colombia confront challenges that Guatemala faces today, such as narcotrafficking, a weak judiciary, and the need for a professional army and police force. Pastrana also emphasized that improved access to education and technology is critical to Guatemala's development and described Guatemala's low levels of educational attainment as "worrisome."

¶4. (U) Finance Minister Fuentes Knight enumerated the following five principle strategic challenges for the GOG:

- guaranteeing macroeconomic stability;
- strengthening competitiveness;
- supporting energy generation and food production;
- promoting social cohesion, citizen security, and equality of opportunity; and

-- promoting fiscal modernization.

According to Fuentes Knight, confronting these challenges is essential for Guatemala's economic growth and ability to successfully compete in the world economy.

¶15. (SBU) In a long and meandering address, President Colom emphasized the important role of the business community to Guatemala's economic prosperity and highlighted that there have been 47 government-private sector dialogue tables since January tasked with reconciling policy differences between the two sectors. According to Colom, his administration will focus on a policy of "human development with economic responsibility." He highlighted the importance of the GOG's Pro-rural program, which is designed to improve agricultural productivity for farmers in the poorest municipalities, as illustrative of this policy. In a comment that caused whispers from the audience, Colom challenged the business elite to do more to help Guatemala's impoverished population, stating that "it is not worth it to be a millionaire in a country where people are starving." Colom dismissed press reports of 200,000 lost jobs as incorrect and stated that while some jobs have been lost, 109,000 new jobs have been created. Colom also dismissed rumors of a military overthrow, stating that such an occurrence would be condemned by the international community.

¶16. (C) Comment: Colom's recognition of the important role of the business community in promoting Guatemala's economic growth was a clear olive branch, given the audience of business owners. However, Colom's meandering speech that wandered from technical details of a large national park project (Cuatro Balam) to vigorous denial of coup rumors, gave the overall impression of a leader searching for an agenda. There are no credible rumors of a military coup. Colom's mention of the topic was probably a bid for sympathy.

End Comment.

McFarland